



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

COUNTY BUDGETS AND THEIR CONSTRUCTION

BY OTHO GRANDFORD CARTWRIGHT,

Director of Westchester County Research Bureau.

As one's thoughts concentrate upon the subject of budgets and budget procedure for counties, the question projects itself insistently into the foreground: What bearing upon democracy has the preparation of a budget for the management of county government? Coerced to find an answer to this query before proceeding with discussion of the budget itself, I can do no better than to state here certain extracts from a report of Dr. Carroll Dunham, of Irvington, Vice-President of the Westchester County Research Bureau, in behalf of a committee appointed by the Bureau's board of directors to prepare a model county charter.

Dr. Dunham states the basic principles of democratic government briefly as follows:

1. Sovereignty resides in the people.
2. In a republic, government should be by those whom the people choose.
3. Government must be for the people.
4. Government administers a certain part only of the people's affairs (public affairs, and not private).
5. Its scope changes gradually, as time progresses.
6. Government must be efficient and responsible.
 - a. To be efficient, the administrators must have authority.
 - b. To be responsible, they must be answerable for their authority to the sovereign people.
7. To build a government logically and soundly upon these fundamentals, elect few officers. Do not handicap them by multitudes of other officers, departments and bureaus, with checking and balancing powers; but give those few officers power to appoint and remove subordinates.
8. Secure responsibility by publicity. Complete publicity, as to the details of public business and the acts of public officers, destroys opportunity for graft.
9. Enforce the keeping of full, simple, accurate records, open at all times to all people.
10. Let the officers responsible for the conduct of the government prepare in advance a complete budget, with full financial programs and full statement of financial condition.
11. Have fixed dates for the publication of the complete budget, and fixed dates for full public hearings thereon, open to all people.

12. In enacting the budget, provide that it shall be lived up to strictly during the period which it is to cover.

13. A sovereign must always be able to learn how his work is being done. When the people is the sovereign, as in American government, the people must have such full knowledge.

Dr. Dunham's fundamentals constitute the elixir of life of municipalities. The budget is the thing that keeps the blood coursing fresh and vigorous through the veins of government. When the elixir is low, the administration is impoverished and weak. When it is lavish, gluttony and coarseness result,—the administration becomes selfish and heedless.

Nothing is fool-proof. A budget, however scientific and complete, does not guarantee good government. Neither does keeping the weeds out of a garden guarantee good crops. But as it is certain that there will be very slim crops where weeds overrun, so it is likewise certain that the absence of proper financial provision will greatly reduce, if not completely nullify, the efficiency of an administration.

A government without a financial plan is as badly off as an army without munitions. Consequently it is not waste of space for *The Annals* to give to this subject the prominence of an entire volume, nor to emphasize therein the importance of the county budget in the grand tactics of financing public service.

Like the old parson in the *Wonderful One Hoss Shay*, I am given to firstlys, secondlys, etc. In discussing this subject, I shall try first to picture to the readers of *The Annals* the ordinary way of financing a county government; then to state some improvements of method accomplished in recent years; and thereafter to portray what a proper budget should be, and how it should be arrived at and its operation assured.

The Ordinary Way

From such incursions as, in the course of my experience, I have been able to make into the minds of men who are either concerned in any way in budget-making, or have from other causes given any thought to the matter, I have concluded that to the majority of men the term "budget" does not convey any definite meaning. A hazy concept, as of something pertaining to a bag of documents that contain a lot of bills to be paid, and a lot of other items that

will call later for the expenditure of a lot of money, if the governing body or council votes to authorize them, is what the word "budget" suggests to most people.

One afternoon I addressed a ladies' club of a nearby city on the need of a local budget exhibit. After I had ended, and was taking tea with the ladies, the president of the society remarked, with a puzzled look:

"You have explained perfectly the great advantages of a budget exhibit. Now I wish that before you go you would tell us just what a *budget* is, and then we will understand the whole subject."

Excluding students of finance and of public service, I think the usual understanding of a budget is almost as indefinite as that indicated on the part of the worthy lady president referred to.

But the term "budget," as used in this volume and in this discussion, is meant to include the entire financial plan made by a government for the work of its fiscal year. The detailed discussion of a full scientific budget will be taken up later.

In most municipalities, the elected or appointed rulers have not thought much further than the statute law requires them to think. Their financing, therefore, consists of providing for those things that the law says must be provided for. In county governments this is more than generally true, though some states are more advanced than others as to their statutory requirements. An example like Indiana, where the law permits the employment of a wide-awake accountant who keeps pushing into county financing successive advanced ideas and improvements, shows up immensely by contrast.

The usual procedure in making the county budget is resistance to "procedure" of any sort. It is rather inertia than procedure. It consists of yielding to the enforcement of the law that taxes levied on the county by the state, money borrowed by the county to meet emergencies and carry current expenses, and legal claims accumulated against the county, must be paid. If it were not for the law compelling these things, and for the urgent reminder of people who want the money which the county owes them, I am not sure that there would ever be a county budget in most states. The county goes much on the principle of the lazy man who gets trusted for everything he needs as long as possible, and only bestirs

himself to obtain money to pay accumulated obligations when he is urgently pressed by creditors.

When all items that have to be paid are gathered together, it is usual to put off as much as possible by borrowing on county bonds all that it is legal to borrow, and by refunding, where possible, bonds that have matured. Then the irreducible minimum is placed into the tax levy. There is nothing less scientific, less economical, and more inefficient or more extravagant than such a method of procedure.

In the county budget the board of supervisors, or county commission, or tax levying authority, must provide for two classes of expenditures, and may provide for a third class. The first class includes those disbursements over which the tax levying authority has no discretion. Such are taxes levied by the state upon the county, judgments pronounced against the county by a court of competent jurisdiction, salaries of county officers established by legislative enactment, and similar items. The second class includes expenditures which have to be provided for, but over which the tax levying authority has discretion as to the amount. The third class includes expenditures over which the tax levying body has complete control, both as to their existence and their amount. Such expenditures would include items of public service not specifically required by law, but which the county governing body might deem wise and necessary for the benefit of the county at large. The possibility of expenditures of this type, however, is commonly cramped by the narrowness of the powers conferred by law upon the county authorities.

Things ordinarily not provided for are industrial and social needs, which properly call for public management and public regulation, but which have hitherto been left to individual control, and the consequent management of which has been good or bad according as individual greed and selfishness or individual benevolence has predominated.

Some of these matters are regulated in some counties, but none of them in all counties, and all of them in no county. In determining what elements of such nature shall be turned over to public management or regulation, it is necessary to decide where the border line lies in Dr. Dunham's fourth fundamental, that government administers only the public part of people's affairs, and not the private.

Improvements in Recent Years

Some improvements have been made in recent years in a few states where they have adopted something in the line of budgetary provision. New York state has a law (General Municipal Law, §§30-38) empowering the state comptroller to prescribe a uniform scheme of appropriations for all counties of the state, but gives him no means to enforce its adoption or use. It rests largely with individual counties, therefore, whether the comptroller's budget plan will be used at all or not. Some chief essentials of a budget are lacking in the comptroller's plan. It does not prescribe a balance sheet; nor a working plan; nor current periodical reports; nor a statement of estimated funds available for budget purposes in the reduction of taxation; nor budget hearings; nor any safeguards upon the appropriations.

Indiana has an accounting law which prescribes budget estimates by each department head, to be presented on forms furnished by the county auditor. These forms are sufficiently detailed to provide for a fairly complete list of appropriations for the conduct of various county departments, but many of the elements of a budget which are lacking in New York state law are also lacking here.

Los Angeles County, California, with its new charter, has also made a great advance in budgetary provision within the last three years.

Perhaps one of the best types of county budget procedure at present in operation is shown in Westchester County, where the heads of departments are required to submit in advance requisitions for all the needs which they are required to serve during the fiscal year, the requisitions are passed upon by the finance committee, and the budget is then prepared and submitted to the board of supervisors in the following order:

- In the first column, the amount of the requisition by the department head;
- In the second column, the total amount required by each department;
- In the third column, the amount allowed by the board to be expended by each department;
- In the fourth column, the unencumbered balance of the fund remaining from the previous year, and applicable to such department.
- In the fifth column, the amount of unpaid obligations of the previous year for the payment of which money is still on hand in the treasury; and
- In the sixth column, the total amount of money to be provided in addition to the funds on hand.

These summaries are followed by estimates of municipal earnings,—that is, amounts to be received as current revenue from the earnings of the various departments; revenues due as refunds for advances made by the county, and revenues from other sources; and by a statement of the details of the requisitions for each county department, and each function and line of operation thereof.

The Westchester County budget lacks the following elements: (1) a balance sheet, or statement of the financial condition of the county; (2) a working plan; (3) provision for reports as to the condition of funds, and the comparison of operating cost periodically with budgetary provision; (4) provision for full publicity; and (5) certain safeguard provisions in the enacting statute or resolution of the board of supervisors. Moreover there is no investigation as to social or industrial needs of the county, and there is no provision for public hearings, the most democratic of all features of a budget procedure.

Ontario County, New York, has improved its budget and accounting and audit system by taking advantage of as much of the existing law as it found possible permitting such improvement.

Monroe County, New York, operating under the direction of a newly established bureau of municipal research, has adopted something approaching a more scientific budget, but still some of the above elements are lacking there.

Cities, particularly those that have acted under the guidance of the New York Bureau of Municipal Research, have advanced much farther, and have established very complete budget provision, attended by all the necessary provisions and safeguards to make it workable, and to prevent it from falling down in operation; but cities have centralized responsibilities, where counties have nothing of the sort.

The County Budget as It Should Be

In order to arrive at the direct and scientific way of approaching the preparation of a budget for a county, it is necessary to make sure that we understand the full significance of all that is comprehended under the term "annual budget," and we shall readily see that it is by no means a simple matter, to be put off until the latter part of a fiscal year, and then hastily constructed. It needs ad-

vanced study and provision, including extended and thorough examination into all the needed service to be financed.

The budget is a definite plan or proposal for financing present and future needs of the government. As there is a national budget for the national government, and a state budget for the state government, etc., so there must be a county budget for the county government, and it must be built much upon the same general plan as prescribed elsewhere in this volume for nation, state, or city.

In making the budget, the first thing to do is to find out what needs must be served, and we learn, as pointed out above, that there are three general groups, resulting entirely from the character of the laws, which confront the governing body of the county. The first is that of statutory levies. The state law provides that a county must pay its pro rata share of the state's expenses. The county is simply informed by the state authorities as to what such an amount is to be, and must include it in its tax levy. The county usually has maturing bonds to be paid. Such bonds must be placed in the tax levy, together with interest due on them. Occasionally there are judgments rendered by a court of competent jurisdiction against the county. Such judgments must be paid, and placed in the tax levy. Over matters like the foregoing, the county governing body has no choice. It simply must pay them.

The second group comprises statutory levies, over which the governing body has no discretion as to whether such needs shall be served, but does exercise control over the amount to be provided. Instances of such are the maintenance and operation of the various county departments established by law, and the salaries of various county officers and employees not fixed by statute. Salaries fixed by statute cannot be controlled by the county governing body, but such are few.

As yet, we have considered only statutory needs. There is another group of needs, which we have already indicated, that are never provided for in county government, and I would go further, I believe, than any of my fellow-advocates of a proper budget procedure, and besides having department heads, required to submit advance estimates of what they need to support their departments, I would advocate urgently the enactment of a state law to the effect that some means be provided for asking the public, in all the communities of the county, for statements of all things that they con-

ceive to be public needs, which should be served by county government.

This information might be obtained by public advertising. In such case, civic societies would urge various needs: one, that the county enforce industrial safeguards; another, that the county enforce sanitary housing regulations; another, that it control the sanitation of schoolhouses and medical inspection of children; another, that the county regulate local health ordinances and uniformity of health administration; another, that the county control municipal accounting, so that it shall be uniform in all the towns, cities, and villages of the county; another, that the county administer uniform collection of taxes; another, that it regulate the administration of justice, by substituting courts of inferior jurisdiction, with trained lawyers as judges, instead of the local justices of the peace, who are apt to become mere fee-chasers, and are frequently ignorant of the law.

Individual citizens would recommend other public services that should be performed by the county. These needs would then be considered by the governing body, and weighed thoroughly, and such as were deemed to be of sufficient importance would be incorporated into the budget provisions, as far as the county governing body might have power conferred upon it by law to make such incorporations. For others, held to be of sufficient importance, it would then ask further powers from the legislature. We should then have a budget serving community needs in a way I have never yet known them to be provided for.

It would be a misfortune, however, to have to rely entirely upon the county governing body for the judgment of the merit of the various needs. Consequently, each one who suggests any item of public service, not hitherto provided for and recognized as such, should be invited by the appropriate government authority to appear before it and extend his recommendations with all the supporting arguments that he might be able to prepare. Otherwise, his recommendations might be undervalued, and misjudged, and undeservedly set aside.

After all is weighed, assorted, classified, and fully prepared, of course the final proposals for public service are to be passed upon by the governing body which has power to enact.

Who should prepare the budget is a question of the gravest

importance. In state and national government there is no doubt that the chief executive is the proper person to perform this service, upon consultation with and the advice of his cabinet or department heads and such members of the legislative body as are most conversant with the needs of legislative, judicial, and other departments of government.

In the county government in most states, however, there is no such head, and the budget is usually prepared by a committee of members of the governing board, whether a board of supervisors, or commissioners, or what not. Such a committee cannot have either the understanding of the full meaning of a budget, or the personal interest in properly performing the work of budget preparation, that an executive head should have who is personally responsible in very large degree for the success or failure of the entire county administration. The man who is officially responsible ought personally to lay the plans, summoning to his aid such advisers as he deems best suited to give him counsel. This principle has been recognized in the amendments recently approved by the constitutional convention of the state of New York, which provide that the governor shall finally prepare and present the entire budget to the legislature, after a maximum of sixty days' consideration of estimates and appropriation bills.

Next in order must be considered the accounting features of the budget. Having established our catalogue of community needs, which it is supposed to serve, they will be classified and codified, under proper heads and titles, as a series of appropriations, to be made from county funds, when provided, and to be expended for the specific purposes named and for those only.

But the proposed appropriations for the current financial period are by no means all there is to a budget. The appropriations must be supported by several auxiliary statements, each in itself entailing more or less accounting analysis. The first of such statements would be a comparison of appropriations made in previous years (at least the two next preceding the year to be financed) for similar purposes, and explanations of the reasons for appropriations made for the current year for needs not hitherto provided for. Such a statement shows increases or decreases, and permits comparison of such increase or decrease with the growth of the county and the wealth and population.

The second statement which must be submitted is a balance sheet,—that is, a tabulation of the values of all properties tangible or intangible, which the county owns, and a corresponding tabulation of all the debts outstanding against the county, which must be paid either currently or in the future. The balance sheet should be so arranged as to contrast bonded debt with the value of the improvements for which it was incurred, and current liabilities with current assets in hand or available for their liquidation. The balance sheet would then show the surplus in hand or available, applicable to the support of the appropriations asked for the current year, which surplus should be divided into two elements, (1) capital surplus, and (2) current surplus. If there results a deficit, it should be shown in the same characters.

The third supporting statement should be a tabulation of all funds of previous years, of which there is either a balance or a deficit. The statement should be so arranged as to show what part, if any, of the balance of each fund is unincumbered and free for re-appropriation towards the budget of the current year, or if the total amounts to a deficit, what deficit should be added to each of the appropriations asked for for the current year, and what the total deficit so added should be. The total surplus, or the total deficit of the fund statement, should be identical with the current surplus or deficit as shown in the balance sheet.

The fourth statement should show the estimated amount to be received from indirect sources, such as municipal earnings, amounts paid into the county treasury from the state treasury, from the state school fund, the state highway fund, etc., and from other indirect sources.

The fifth statement should recapitulate:

- a. The total amount of the budget appropriations;
- b. The total amount of receipts from unincumbered fund balances, and from estimates from indirect sources which should be deducted from the total amount of the budget;
- c. The difference which would be the amount to be raised by a direct tax.

This amount, re-grouped in such a way as to show the amount to be paid by each of the tax districts in the county (because in county government the tax rate does not fall evenly upon all parts of the county, as explained below) and the tax rate for each tax district, is then levied by the county governing body. With ref-

erence to the unevenness of tax incidence, it is only necessary to explain as follows: highway taxes are for districts outside of villages, and do not fall within the village corporation limits, because each village takes care of its own streets and highways; education taxes are for proportionately different amounts for the different superintendency districts and the different school districts, and these are locally levied, and not spread upon the whole county evenly; etc.

An auxiliary statement, accompanying the budget, should show the amount to be borrowed for capital outlays, so that taxpayers may know the entire amount which is being spent in the county for the current year. In New York State counties we never are informed of this total. Different bond issues are authorized by the board of supervisors at different times during the year for public improvements. For example, in Westchester County we are issuing bonds this year for purchase of properties lying within the Bronx Valley parkway; for the erection of various new county buildings, such as court house, penitentiary, and almshouse; for various highway purposes, as occasions may arise, and possibly for one or two bridges. At the close of the fiscal year only the county treasurer or the county comptroller is able to state just what amount of long-term indebtedness has been incurred by the county during the course of the year. The only item about which the citizens are broadly informed, regarding bonded indebtedness, is the amount of maturing bonds and interest which must be incorporated in the budget itself and paid during the year.

Now we come to the budget ordinance, or the enacting statute, which, in itself, deserves most serious consideration, but is, nevertheless, perhaps worse slighted than any of the other elements of budget making, as bad as they are. This ordinance must perform the following functions:

1. Authorize the appropriations which the governing body decides are to be expended.
2. Re-appropriate, for the purpose of meeting such appropriations, the unincumbered balances of the funds described above.
3. Add to the stated appropriations the deficits from previous years as part of the current year's expenses.
4. Appropriate the estimated receipts from indirect sources, to be used for similar purposes.
5. Levy the taxes necessary to be raised to meet the balance of expenditures.

6. Make all these things mandatory, not simply permissive.
7. Provide for the control of the authorized expenditures, by prohibiting the use of funds for any purpose except that specified.
8. Provide for an accounting system, coördinated in detail with the budget appropriations, so that all operations of the year may be traced in direct comparison with the original financial plan adopted at the beginning.
9. Provide a work plan, as detailed as possible, for carrying out the service planned in the appropriations, and provide for the payment for such service only as rendered, after inspection and certification by the proper county authorities.
10. Provide for full publicity, as to the operations of the plan, as to the service rendered by public employees, and as to the progress of county contracts for improvements and other service. Such publicity must include periodical reports, at least monthly, and complete records *open at all times to all persons*.

In no other way can intelligent judgment be formed as to the fidelity, competence, and efficiency of public officers and employees, or as to the adequacy of the general financial plan of the administration.

Summary of Important Features

1. All *needed public* service of any nature whatsoever, whether previously included in public service, or previously left to private or individual management, or previously entirely neglected and unprovided for, must be considered and financed; and all silly, fanatical, and in any way unsound proposals, and all merely ornamental and fantastic schemes, and all merely political partisan patronage plots disapproved and rejected.
2. Complete scientific statements of financial conditions, both as to ownership and indebtedness and as to funding operations, must accompany the scheme of appropriations proposed.
3. The enacting statute must provide for complete control of the operation of the proposed plan.
4. The most efficacious way of securing responsibility is by complete publicity, which is, in itself, cheap, simple, and entirely effective, and not by a complicated system of interlocking powers, with checks and balances, which is costly and complex, and has never proven to be efficient.